

**Frederick County Department of
Housing and Community Development**

5340 Spectrum Drive, Suite A

Frederick, MD 21703

www.FrederickCountyMD.gov/housing



**FREDERICK COUNTY DEVELOPMENT IMPACT FEE
EXEMPTION FOR AFFORDABLE HOUSING PROGRAM
FACT SHEET**

Purpose of Program

The Frederick County Board of County Commissioners (BoCC) established the Development Impact Fee Exemption for Affordable Housing Program (DIFEP) by adopting Frederick County Ordinance No. 10-25-560 to assist with the creation of affordable housing by allowing qualifying applicants for residential development to be exempt from the payment of development impact fees if:

1. The residential development is financed, in whole or part, by public funding that requires mortgage restrictions or recorded covenants restricting the rental or sale of the housing units to lower income residents in accordance with specific government program requirements; or
2. The residential development is developed by a nonprofit organization that 1) has been exempt from federal taxation under 501(c)(3) of the Internal Revenue Code for a period of at least 3 years; and 2) requires the homebuyer to participate in the construction of the residential development.

Responsible Parties/Agency

The Department of Housing and Community Development (DHCD), Citizens Services Division shall administer the DIFEP. Applications for the impact fee exemption will be made to DHCD. An exemption determination from DHCD shall be provided to the Community Development Division (CDD) prior to issuance of the building permit. The applicant will be exempt from development impact fees for public schools and libraries; current rates are listed on the CDD web site. The development impact fees must be paid to the County immediately if the housing fails to meet the requirements of Ordinance No. 10-25-560.

Criteria for Rental Project Applicant

1. A rental project applicant must meet the qualifications as described in §21-101 of Article 24 of the Maryland Code, and the rental project must be financed by public funding with mortgage restrictions that include a stipulation that the units remain affordable for a minimum of 25 years; and
2. The residential development must serve households with initial incomes in accordance with specific government regulatory requirements, but no greater than 60 percent of the Washington area median income (AMI) limit set by the U.S. Department of Housing and Urban Development (HUD). See the income limits table on the DHCD website.

3. A rental project applicant must agree to provide annual certifications to DHCD of rental project compliance as mandated by the public funding agency regulatory agreement.
4. Once a rental project applicant is determined to be eligible by DHCD, a junior Deed of Trust (DoT) and Note (or other security acceptable to the County Attorney) shall be executed between the rental project applicant and the BoCC to secure the amount of the development impact fee exemption. DHCD shall execute the DoT and Note on behalf of the BoCC, with prior written approval from the County Attorney's Office.
5. A written exemption determination from the Director of DHCD shall be provided to the CDD in place of the development impact fee payment due for issuance of the building permit.
6. The DoT and Note will be released after 25 years if all provisions of the public financing regulatory requirements and the DoT are met. Processes shall be put in place to track the control period of 25 years for rental units.

Criteria for Non-profit Organization

1. A non-profit organization must meet the qualifications as described in §21-101 of Article 24 of the Maryland Code, and must be developing residential housing to be sold to a qualifying homebuyer. In addition:
 - a. The homebuyer applicant must participate in the construction of the home.
 - b. The homebuyer's total gross household income must be at or below 60 percent of the Washington AMI limit set by HUD.
2. Once certified as eligible, a junior Deed of Trust (DoT) and Note shall be executed between the non-profit organization and the BoCC to secure the amount of the development impact fee exemption, specifying a zero percent (0%) interest rate. DHCD shall execute the DoT and Note on behalf of the BoCC, with prior written approval from the County Attorney's Office. If the home is not sold within one year to a qualified homebuyer, then the non-profit organization shall pay the development impact fees to the BoCC. The non-profit organization may also request an extension of the one-year period. If approved, the non-profit and the BoCC will execute an amended Note.
3. If the Non-profit sells the home to a qualified homebuyer within the one year period, or any extension thereof, a new DoT will be executed between the homebuyer and the BoCC, and the DoT and Note between the BoCC and the non-profit will be released.
4. The DoT and Note between the homebuyer and the BoCC will specify that the amount of the development impact fees must be paid immediately if any of the following occurs within the 15-year period that begins upon the date of settlement: (a) any sale or transfer of title to the property or any interest in it to any other person or entity; (b) any refinancing of any senior mortgage; or (c) when the homeowner is no longer the primary occupant. After the 15 year period has elapsed, the DoT and Note shall be released if the homeowner remains the primary occupant and all other provisions of the DoT are met.
5. Processes shall be put in place to track the control period of 15 years for homeownership units.

Instructions

Download application from website and complete in full.

Rental Project Applicants:

Submit copy of approval of project by Public Finance Agency
Submit copy of sample mortgage restrictions or covenants

Non-profit Applicants:

Submit proof of IRS status

Submit Application and Attachments to:

Jennifer Short, Director
Frederick County Housing and Community Development
5340 Spectrum Drive, Suite A
Frederick, Maryland 21703

For further information and questions, contact 301-600-3530 or JShort@FrederickCountyMD.gov